

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2020-106-A

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| IN RE: |) | |
| |) | |
| Actions in Response to COVID-19 |) | JOINT COMMENTS OF |
| |) | DUKE ENERGY CAROLINAS, LLC |
| |) | AND DUKE ENERGY PROGRESS, LLC |
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Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (collectively “Duke Energy” or “Companies”) have filed notices of appearance in this docket opened by the Public Service Commission of South Carolina (“Commission”) to address issues relating to COVID-19. On May 8, 2020, the Office of Regulatory Staff (“ORS”) filed a Motion to Solicit Comments from Utilities and Other Interested Stakeholders Regarding Measures to be Taken to Mitigate Impacts of COVID-19 on Utility Customers and Require Recordkeeping (“ORS Motion”). In response to the ORS Motion, the Commission issued Order No. 2020-372 (“Order”) requesting comments by May 22, 2020 and requiring utilities to track COVID-19 related revenue impacts and incremental costs and savings. The Commission’s Order also requested comments related to the waiver of regulations related to late payment charges, the waiver of reconnection fees, “return to normal” plans and other matters as addressed in Commission Order 2020-374. Duke Energy hereby submits these comments to provide the views of Duke Energy regarding the information requested by the Commission in response to the ORS motion as well as the Companies’ plans for the near-term related to COVID-19.

I. Overview of Response to Date and Impacts from COVID-19

As described in prior filings in this docket, in mid-March 2020, the Companies suspended disconnection for non-payment, including reconnecting some prior non-payment disconnections, and also began waiving late payment fees and returned check fees for all customers, as well as certain walk-in convenience fees. In prior filings, the Companies have also explained in more detail some of the operational changes made to address COVID-19 concerns, including deferring most close contact work in the field until a later time, reconstituting call center operations, and implementing new protocols at generating plants such as thermal scanning and special cleaning arrangements for operational and corporate centers. Employee business travel, with very few critical exceptions, has been suspended. The Companies also instituted work from home options for employees compliant with various requirements and with ingenuity to ensure consistency of operations and corporate support. Although many Duke Energy employees were able to work from home, many employees remained on the front lines to maintain the Companies' critical infrastructure and restore service, even in the face of severe tornados in the Upstate.

Duke Energy cares very much about the plight of our customers in South Carolina. To that end, the Duke Energy Foundation has given \$760,000 in aid during the COVID-19 pandemic in South Carolina, including: (1) \$250,000 in COVID-related grants to support hunger relief and social services; (2) \$150,000 to support utility assistance programs and (3) \$20,000 to April tornado relief in Pickens and Oconee Counties. Duke Energy has also worked hard to support food insecurities, energy assistance and education initiatives. Duke Energy's initial \$250,000 COVID-19-related grants address immediate social service and hunger relief needs for all ages, children to seniors, resulting from the virus pandemic. In light of the rising unemployment rate in South Carolina in relation to job loss due to COVID-19, Duke Energy's \$150,000 grant will

provide additional funds to the Share the Warmth and Energy Neighbor programs, in an effort to help support approximately 550 households with assistance to pay heating or cooling bills. The Duke Energy Foundation also recently granted more than \$340,000 to support energy, engineering and environmental educational initiatives through its Powerful Communities: K-12 Education priority; such funds were disbursed to 14 organizations. As part of its sensitivity to the COVID-19 crisis, the Foundation afforded grant recipients the option to use the funds for unforeseen operational challenges if the program they originally filed the grant for was impacted due to COVID-19.

The Companies have also encouraged customers to pay what they can to avoid the accumulation of past due balances and have begun proactive outreach to residential and small business customers to offer deferred payment arrangements to help alleviate concerns about return-to-normal operations as we move through the summer. As part of this effort, some of the payment arrangement requirements and policies have been relaxed to encourage additional customers to take advantage of the options being offered. In addition, Duke Energy created a COVID-19 website, linked to duke-energy.com, that is regularly refreshed with new information related to the Companies' response along with helpful resources for customers. The site is www.dukeenergyupdates.com

The Companies have also been speaking with South Carolina crisis agencies to better understand their needs and abilities to provide assistance to customers. For larger customers, the Companies also identified options under the federal March 27, 2020 Coronavirus Aid, Relief and Economic Security (CARES) Act. This \$2.2 trillion stimulus bill includes, among other provisions, funds earmarked for loans for large corporations and payroll tax deferrals. The Companies have encouraged customers to utilize all governmental assistance (stimulus packages) that has been

enacted by federal, state and local governments to assist with cash liquidity needs to pay ongoing obligations. DEC and DEP have helped customers identify other forms of financial relief. For example, the South Carolina state tax code allows for electricity to be exempted from state sales and use tax if used for agricultural purposes, such as fuel used exclusively to cure agricultural products, natural and liquefied petroleum gas and electricity used exclusively in the production of poultry, livestock, swine and milk, and electricity used to irrigate crops. DEC and DEP are raising awareness of this provision with customers. When agricultural customers obtain such tax exemption, it can help lower their costs and provide refunds of up to 36 months of previously paid tax to those customers who communicate to the Companies that they were eligible but had not previously requested the tax exemption status. DEC and DEP have been working with agricultural customers to obtain such tax exemption to help lower their costs.

In sum, while the Companies have done much, more needs to be done to accomplish economic recovery coming out of this pandemic and to ease customers' burdens while at the same time ensuring viable utilities in this State.

II. Potential Measures to Mitigate COVID-19 Impact

ORS's Motion identified that COVID-19 has already had wide reaching impacts on South Carolinians and is expected to impact the fixed cost recovery and revenue assumptions of the utilities who provide service to South Carolina.¹ The ORS Motion contained several potential modifications to utility practices that could potentially assist utilities and their customers to counteract the impacts of COVID-19. The Companies note that the modifications already taken have been considerable during the height of the pandemic, including the suspension of disconnections for non-payment. Since the end of February 2020 through the end of April 2020,

¹ ORS Motion, page 2.

for all customer classes, the Companies' 60-day arrearages have more than doubled. Overall arrearages (30, 60, and 90+ days) have increased by \$18.5 million from February 2020 through the end of April 2020. Additionally, as of April 30, 2020, there have been approximately 18,000 residential customers and 2,000 non-residential customers who have not made a payment in the last 60 days. As mitigation measures are extended, these impacts will grow over time.

The Companies provide their comments on each of ORS's potential options below.

1. On-Line Payment and Credit Card Processing Fees. Credit card fees and online fees charged to individual customers were eliminated in the Companies' most recent base rate cases as a certain amount of such fees were incorporated into base rates. However, the Companies are projecting to have over \$320,000 incremental cost to DEC and over \$120,000 incremental cost to DEP not captured in current rates. There are walk-in fees for payment not included in rates, but the Companies have waived those as well to help address this crisis for customers. The Companies began waiving walk-in payment convenience fees charged to customers by the payment locations as of April 2, 2020 and have waived over \$23,000 walk-in convenience fees at in-person payment stations. The Companies plan to delay reinstituting such fees until later in the summer to help customers navigate this crisis, as well as extending deferred payment arrangements through the channels described above. There will be additional costs associated with this measure.

2. Late Payment Fees. In mid-March 2020, the Companies began waiving late payment fees for all customers. As of May 2, the Companies have waived over \$823,000 (DEC) and \$352,000 (DEP) in late payment fees for residential and non-residential customers. The Companies plan to delay reinstituting such fees until later in the summer to help customers navigate this crisis, as well as extending deferred payment arrangements through the channels described above. There will be additional costs associated with this measure.

3. Returned Check Charges. In mid-March 2020, the Companies began waiving returned check fees for all customers. As of May 2, the Companies have waived over \$32,000 (DEC) and \$7,000 (DEP) returned check fees for residential and non-residential customers. The Companies plan to delay reinstituting such fees until later in the summer to help customers navigate this crisis, as well as extending deferred payment arrangements through the channels described above. There will be additional costs associated with this measure.

4. Credit Reporting. The ORS Motion and Commission Order requests that the Companies mitigate negative reporting to credit reporting agencies. The Companies only send “closed” final billed debts to outside collection agencies; accordingly, none of the accounts for which disconnection is suspended would have been yet final billed or yet reported to a collection agency or credit reporting bureau. Further, where disconnection is not at issue (such as for accounts where the customer requested end service) the Companies are sending those debts to collection agencies but have suspended actual collection efforts as of March 13, 2020, and those amounts are not being collected at this time. The Companies understand the importance of preserving customers’ credit ratings and we want to give customers time to work with us within a framework allowable under the federal Fair Credit Reporting Act.²

5. Communication Regarding Safety Net Provisions. It is important to realize that COVID-19 is not the only crisis that the Companies or our customers face. Particularly coming out of the recent tornados in the Upstate and facing hurricane season, we continue to ensure essential businesses and critical healthcare facilities are aware of outage communications and generation options. To that end, the Companies have contacted critical healthcare customers to gather and validate contact information since inaccurate or incomplete contact data is a continued

² Please note, the Companies are performing credit and ID checks for start service requests and assessing deposits as necessary.

barrier to successfully reaching critical public healthcare customers in the event of an emergent weather situation, pandemic, etc. These facilities include hospitals, medical facilities, nursing homes/assisted living facilities, kidney dialysis centers and blood banks who may already be stressed while addressing COVID-19 emergencies and challenges.

More particular to COVID-19, to help customers now fearful of loss of electricity service, the Companies have proactively launched and are in the middle of a payment arrangement campaign to inform identified residential and small/medium business customers in arrears about several payment arrangement options. The campaign is being conducted through emails, text messages, and outbound calls. The customers targeted during each campaign have the opportunity to click a personalized link provided in the message and submit a form to have their deferred payment arrangement processed or to talk with a customer care specialist about their options. An online form will also be made available for customers who would like to self-serve and enroll in an arrangement. The deferred payment arrangement outreach will help customers by giving them the opportunity to make payments on their past due account balance and avoid disconnection when the Companies resume normal business practices. To address questions that customers may have, the Companies are sending email communication to residential and small/medium business customers, acknowledging states' changing conditions while reinforcing we are not yet changing ours. The Companies are also updating the information on dukeenergyupdates.com and other sections of the Duke Energy website.

The Companies have also reached out to Assistance Agencies that support customers who are challenged to afford their energy bills. For example, the following agencies are some of the South Carolina agencies the Companies are working with: Foothills Family Resources (serves Northern Greenville County); HOPE of Lancaster; Salvation Army agencies throughout the Pee

Dee; and Anderson Interfaith Ministries (AIM). Outbound calls were made to dozens of agencies to update their contact information and give them an update on the Companies' approach to offering payment arrangements and extensions to customers as conditions are lifted. If it is determined that Assistance Agencies have funding available and have an established process for working with customers virtually, customers who are more than 60 days past due will receive an appropriate, understanding email that offers them a variety of relief options, including the option to create a deferred payment arrangement and links to Assistance Agency information.

The Companies are also working to develop additional support for customers through Assistance Agencies by providing online capabilities for agencies to fulfill customer requests. The Companies are also working to provide enhanced digital capabilities for customers to contact us with questions or concerns online. This is complimentary to any support customers will receive by talking to a call center representative. Additionally, for larger industrial and large commercial customers, large account managers conduct annual rate reviews for assigned customers to ensure they are on the most economical rate schedule. Broad and targeted communications have been sent and will continue to be sent to customers reminding them of ways to save on their energy bills and offers specific programs to help. For example, communications have been sent to customers reinforcing energy-efficient practices such as monitoring daily usage, high bill and usage alerts, discounted to free light bulbs, tips for efficient appliance use, smart home office habits, and more.

Finally, as required by the Commission's Order No. 2020-374, the Companies are referring customers needing assistance to local organizations, and/or arrange payment plans that will avoid or minimize penalties and service interruptions prior to termination of any utility service, in addition to applying the appropriate Commission Regulations related to termination of service.

6. Planning Return to Normal Operations: The Companies' goal is to work with customers as South Carolina continues to open up the economy. The Companies understand that many customers are fearful of being disconnected. While DEC and DEP do plan on re-instituting certain normal business practices, including disconnections, this is not expected to occur until later in the summer. The Companies are working hard to avoid disconnection for hopefully all affected customers. The proactive outreach described in these comments will be ongoing. The Companies' goal is to prevent a disconnection notice from even being necessary—that is possible if DEC and DEP are successful in getting customers onto deferred payment arrangements ahead of disconnection notices in order to keep continuity of service. Disconnection is only a last resort, and even then, we do not expect the process to result in actual physical disconnection prior to late summer.

The Companies' workforce will also return to offices on a staggered time frame, and in response to current conditions, starting slowly in June 2020. DEC and DEP are abiding by CDC guidance on social distancing and protections for employees and those they come in contact with, including customers, vendors and stakeholders. While the Companies hope to minimize customers' concern with the proactive outreach described above, the Companies understand and anticipate increased call volume at the call center and are working to address this expectation. Any return-to-normal plans are dependent upon whether COVID-19 decreases or increases over time, and any second wave could trigger additional actions.

III. Financial Impacts and Quarterly Reports

In response to the ORS Motion, the Commission's Order requires "utilities to track revenue impacts, incremental costs and savings related to COVID-19 on a quarterly basis, beginning as soon as possible, but no later than the end of the second quarter of 2020." DEC and DEP agree

with ORS's observation that reduced usage is impacting the fixed cost recovery and revenue assumptions included in rates designed to collect costs incurred in serving customers and that accurate data is essential. The costs include not only ongoing operational and financing costs necessary to serve customers, but the borrowings necessary to support extended payment arrangements.³ The Companies intend to track costs, revenue impacts and savings related to COVID-19 and will report such tracking on a quarterly basis. The Companies plan to have best available data through May 2020 to provide in the quarterly report due June 30, 2020.

All of the actions described in these comments come with a cost, and it is important to note that the Companies have taken on these challenges and assistance at a time when revenues have been greatly impacted. Like many of our customers, Duke Energy is experiencing adverse financial effects of the COVID-19 pandemic. The COVID-19 pandemic is causing the Companies' financial position to deteriorate, which in turn could impair Duke Energy's ongoing operations and the ability to attract capital on reasonable terms and potentially increase financing costs. The Companies have experienced increases in operating costs and an unforeseen and significant drop in electric load and associated revenue, which contributes to fixed cost recovery.

The Companies have taken and are taking cost cutting measures to achieve savings to offset the reduction in fixed cost contribution, many of which are simply deferring activities, to mitigate these revenue impacts but such deferred work will need to be done in order to fulfill our obligation—and opportunity—to serve customers. The Companies will report revenue impacts from COVID-19 and actions taken to mitigate those impacts, such as savings initiatives and any savings attendant to COVID-19 (such as travel restrictions). In addition, the Companies will report incremental costs associated with COVID-19 responses such as arrearages and fee waivers in

³ Duke Energy letter to Commission, May 5, 2020 (DN 2020-106-A).

addition to additional technology and PPE-type costs, which have added additional pressure over and above the costs discussed in these comments.

Constructive regulatory treatment and assurance of the recovery of fixed costs necessary to supply customers with the electricity upon which they depend and upon which economic recovery will depend is inextricably tied to the Companies' ability to work with customers during these times of crisis—crises which are not limited to COVID-19. Responding to storms, such as the recent tornados in the Upstate, is an obligation and a cost that requires utility action despite the pandemic. It is not an option for the Companies to reduce financial costs in a manner that leaves customers without power, and that is of paramount importance as hurricane season begins.

For example, the Companies saw several significant weather events impact customers in South Carolina during the response to COVID-19, with one particular event causing significant damage to our system and, sadly, loss of life. Severe thunderstorms with high winds raced through North Carolina and South Carolina overnight Sunday, April 12 into Monday morning, April 13, disrupting service to more than 500,000 customers. At 9:14 Monday morning, at the height of the storm, more than 325,000 customers were without power, including 83,000 South Carolina customers. Sadly, the hardest hit area was the Duke Energy Carolinas service territory in Upstate South Carolina, where a tornado was confirmed to have touched down in Oconee County, killing one person. Nearly 17,000 customers were without service in Anderson County; more than 11,000 in Oconee County; and nearly 10,000 in Pickens County. Duke Energy personnel were ready and responded as soon as it was safe to do so. The number of customers without power by 5 p.m. Monday was cut in half, to just over 40,000 customers remaining without service. Even with the significant damage brought by straight-line winds, all customers were restored in both states by midnight April 15.

As the Companies' teams adhere to COVID-19 guidelines put forth by the Centers for Disease Control, some customers experienced longer than normal response times. The region incident command center worked with certain resources remotely due to the need for social distancing. The Companies' logistics team implemented significant changes in our crew support model to ensure minimized potential of spread the virus. Crews working in support of the storm event were released by April 15.⁴

Consistent with the Commission's Order, by the end of the second quarter, the Companies will provide revenue impacts and operational changes taken to mitigate those impacts, as well as incremental costs and savings from COVID-19. The Companies plan to have data through May 2020 to provide in the quarterly report due June 30, 2020.

IV. Additional Requested Information

The Commission also requested information related to the waiver of regulations related to late payment charges, the waiver of reconnection fees, and other matters as addressed in Order No. 2020-374.⁵ The Companies believe the comments previously provided herein have addressed the issues raised in the ORS Motion.

V. Conclusion

The Companies realize that although South Carolina is taking steps towards reopening, the impacts of COVID-19 on customers will continue and that economic recovery will take time, and a careful balancing of interests will be necessary for all involved. DEC and DEP appreciate the opportunity to provide the Commission with these comments.

⁴ Field restoration proceeded with all COVID-19 protocols in place (e.g., appropriate Personal Protective Equipment (PPE), social distancing and hygiene practices) to keep employees and customer safe and healthy. Duke Energy Carolinas company line, contractor line and vegetation responded. In addition, 300 Duke Energy Florida, 200 Duke Energy Midwest and 160 off-system resources were mobilized to support restoration efforts. During this time, it was a great value to have the option to add crews from other regions to support teams in the Carolinas.

⁵ Commission Order No. 2020-372.

Dated this 22nd day of May 2020.

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